

POINTS TO PROFIT

Interim Report Q2 2023



Erik Grohman

CEO

- Background in online retail & services (EssilorLuxottica, Zmarta, Betsson) and FMCG (Unilever, Scan)
- Master of Science in Business Administration and Economics, Stockholm University

AWARDIT IN BRIEF

MARKET LEADER IN LOYALTY AND GIFTCARD SOLUTIONS WITH A BROAD OFFERING TO CATER FOR ALL NEEDS

 Strategy & Concept

 Design & UX

 SaaS-platform


 Partnerships


 Loyalty marketplace

 Customer support


 FOUNDED IN 1999


 11 ACQUISITIONS SINCE IPO IN DEC 2017


 251 EMPLOYEES


 OFFICES IN STOCKHOLM (HQ), GOTHENBURG, COPENHAGEN, HAMBURG AND WELS


ATTRACTIVE FUNDAMENTALS FUELING GROWTH AGENDA


 Largest company and platform for loyalty-, incentive- and giftcard solutions in the Nordics and with a strong position in DACH


 Our vision is to become the leader in our industry on the European market. On our journey we will continue to help our customers to improve their customer satisfaction, retention and sales

 SaaS-toolbox that covers all parts of the loyalty- incentive- and gift card program value chain

 +250 programs reaching more than 15 million consumers in Nordics and wide reach in DACH

 Strong organic growth, highly scalable and profitable over time

 Two business areas; Loyalty & Giftcards

 Track record of 11 completed acquisitions. The European market remains fragmented with potential to consolidate further.

AWARDIT TIMELINE



Awardit IPO

Acquisition of Crossroads Loyalty Solutions AB

Acquisition of Market2member AB

Acquisition of Motivation Service AB

Acquisition of Retain 24 Sverige AB

Acquisition of MBXP ApS

Acquisition of Prämie Direkt GmbH

Acquisition of Sponsorhuset AB

Acquisition of remaining shares in Rewardit AB

Acquisition of assets Goyada AB

Acquisition of The Inspiration Company AB

Acquisition of Connex Marketing GmbH

Dec-2017

Jan-2018

April-2018

Nov-2018

Okt-2019

Nov-2019

Dec-2019

March-20

April-21

July-21

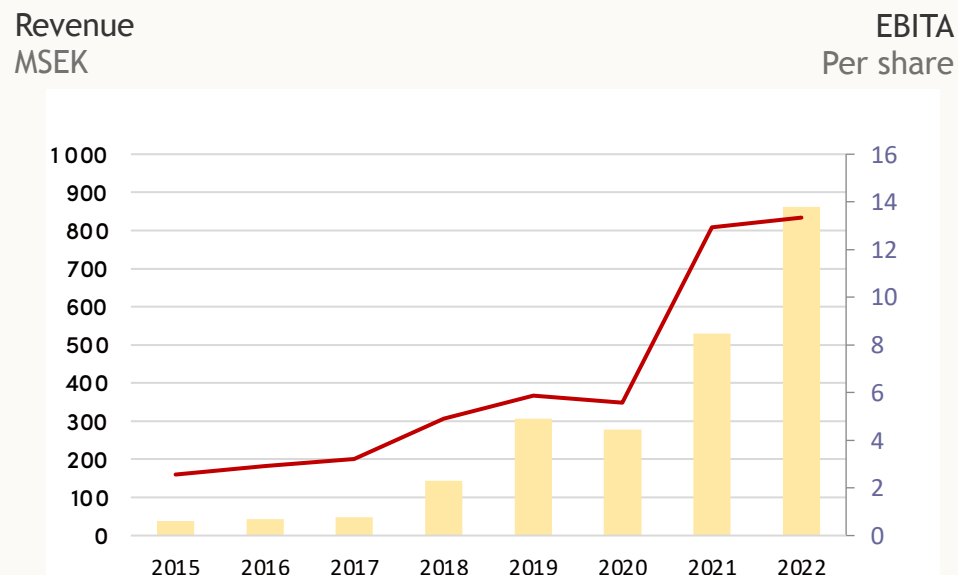
Dec-21

Feb-23



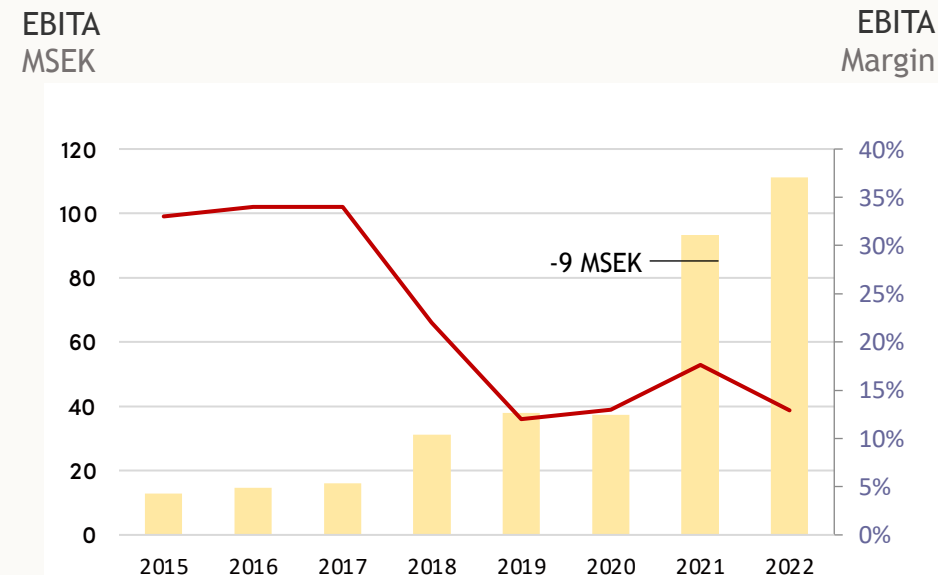
FY 2015-2022 IN BRIEF

STRONG ORGANIC GROWTH IN COMBINATION WITH ACQUISITION



- 1 Exclusively organic growth until 2017
- 2 M&A and organic growth from 2018 and forward
- 3 2020 revenue adversely impacted by the pandemic. 2021 back to high growth, and the completion of 3 acquisitions.
- 4 2022 continued high growth, 63% of which 21% organic. Revenue was MSEK 862.

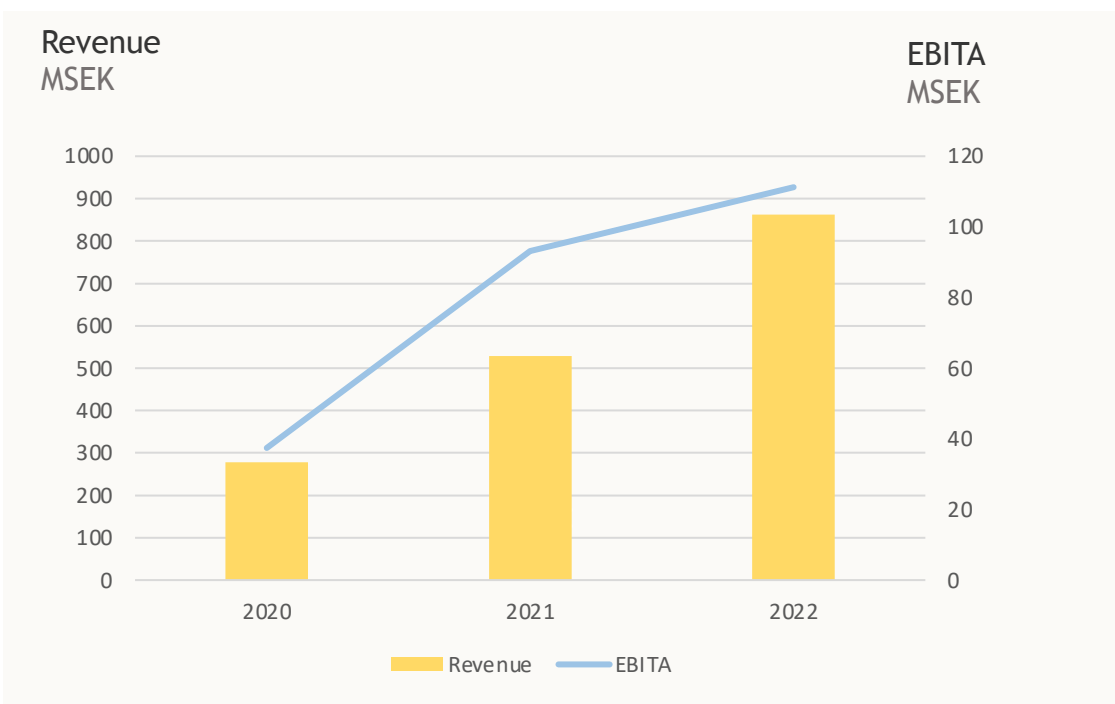
CONTINUED LONG TERM EARNINGS GROWTH



- 1 Profitable growth adding EBITA per share. 2022 EBITA was MSEK 111,2, which is 19% growth vs 2021. Adjusted for 9 MSEK Covid support in 2021, EBITA growth was 32% in 2022
- 2 Synergies of scale and between business areas enable increased gross margins and EBITA-margins over time
- 3 EBITA margin of 2022 diluted primarily by 2021 acquisitions and Q4 gross margins

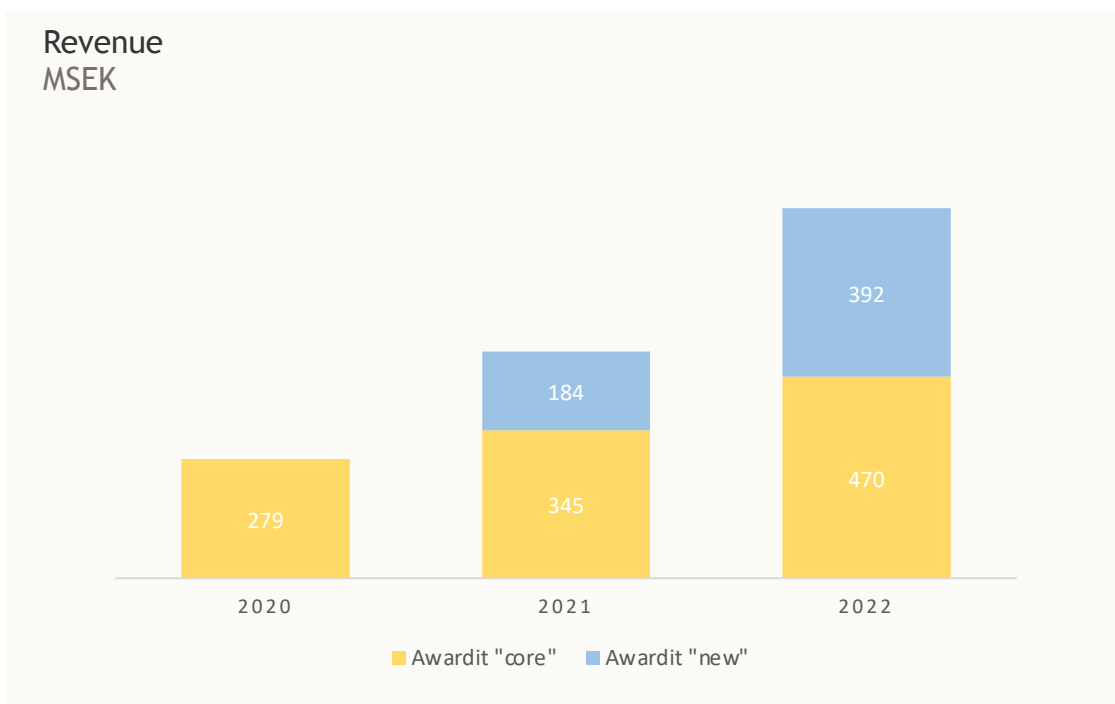
AWARDIT ON STRONG GROWTH PATH IN 2022

2022 was the best year ever, both in revenues and EBITA



- MSEK 862.3 revenues for FY 2022
- MSEK 111.2 EBITA for FY 2022
- Strong underlying growth of “core” business combined with acquisitions in 2021 are the main growth drivers

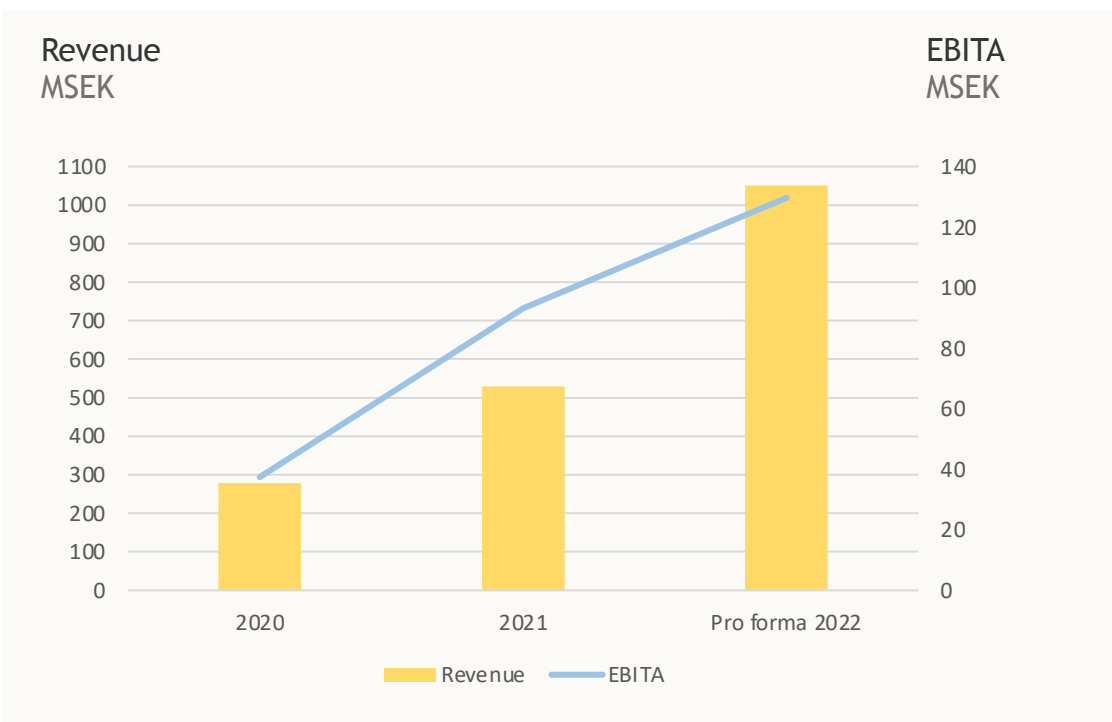
Continued underlying growth of “core” business in 2020–2022



- Solid growth within Awardit “core” business (excluding acquisitions made in 2021 and 2023; TIC, MBXP, PrämieDirekt, Connex)
- +24% in 2021 and +36% in 2022
- Growth from existing clients, new customers, extraordinary events

CONNEX BRINGS STRONG CONTRIBUTION TO 2022 PRO FORMA

Underlying organic growth combined with Connex addition



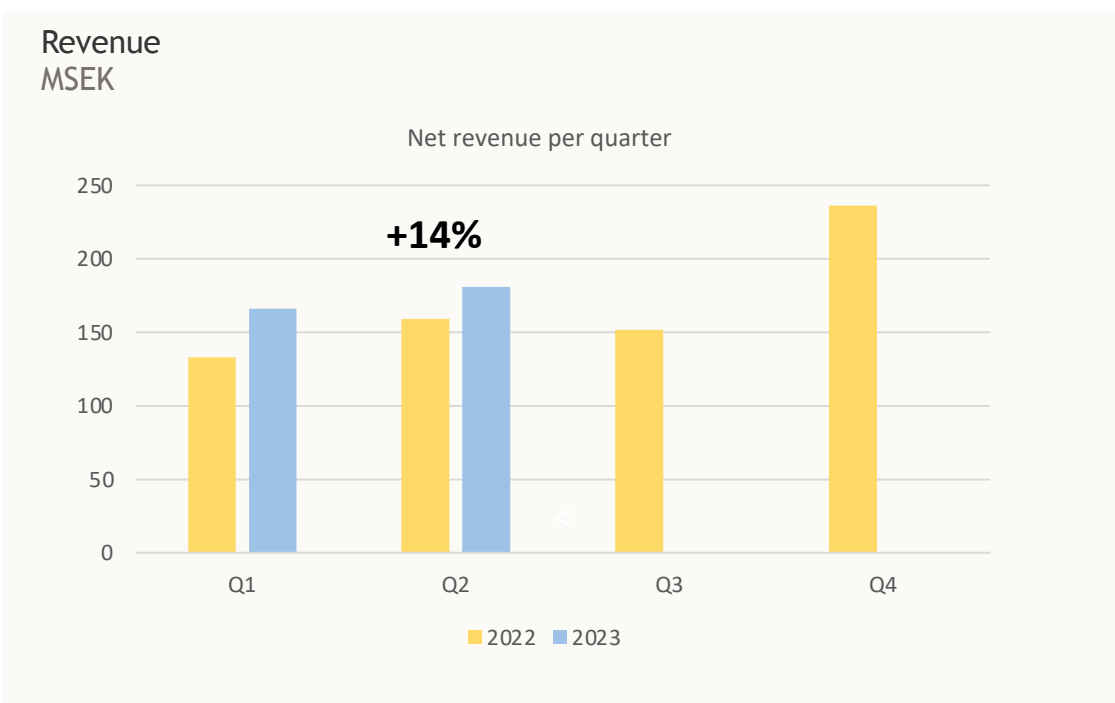
- Est revenues of Connex for 2022 at time of acquisition MEUR 15.6, actuals 17.8 MEUR. Est EBIT MEUR 1.4, actuals MEUR 1.7
- Net revenue including Connex in 2022 was MSEK 1,051 and EBITA MSEK 130
- Connex contributes positively to Gross Margin %
- High personnel costs at Connex brings up group costs as % of revenues
- Cash and cash like items MSEK 137 brought into the group (est. MSEK 121)

Pro forma P&L including Connex

Amounts, TSEK	FY 2022 Previously reported	FY 2022 Connex	FY 2022 Incl. Connex
Net revenue	862,297	189,192	1,051,489
Capitalised work for own account	2,387	-	2,387
Other operating revenue	21,870	2,821	24,691
Total operating income	886,554	192,013	1,078,567
Operating expense			
Commodities	-607,198	-81,541	-688,739
Other external expenses ¹	-67,377	-24,444	-91,821
Personnel costs	-98,792	-65,615	-164,407
Depreciations and amortisation of tangible assets ²	-293	-1,906	-2,199
Other operating expenses	-1,721	-12	-1,733
Total operating expenses	-775,381	-173,518	-948,899
EBITA	111,174	18,496	129,669
<i>EBITA-margin</i>	12.9%	9.8%	12.3%
Depreciations and amortisation of intangible assets ³	-40,264	-311	-40,575
EBIT	70,910	18,185	89,095
<i>EBIT-margin</i>	8.2%	9.6%	8.5%
Gross profit	29.6%	56.9%	34.5%

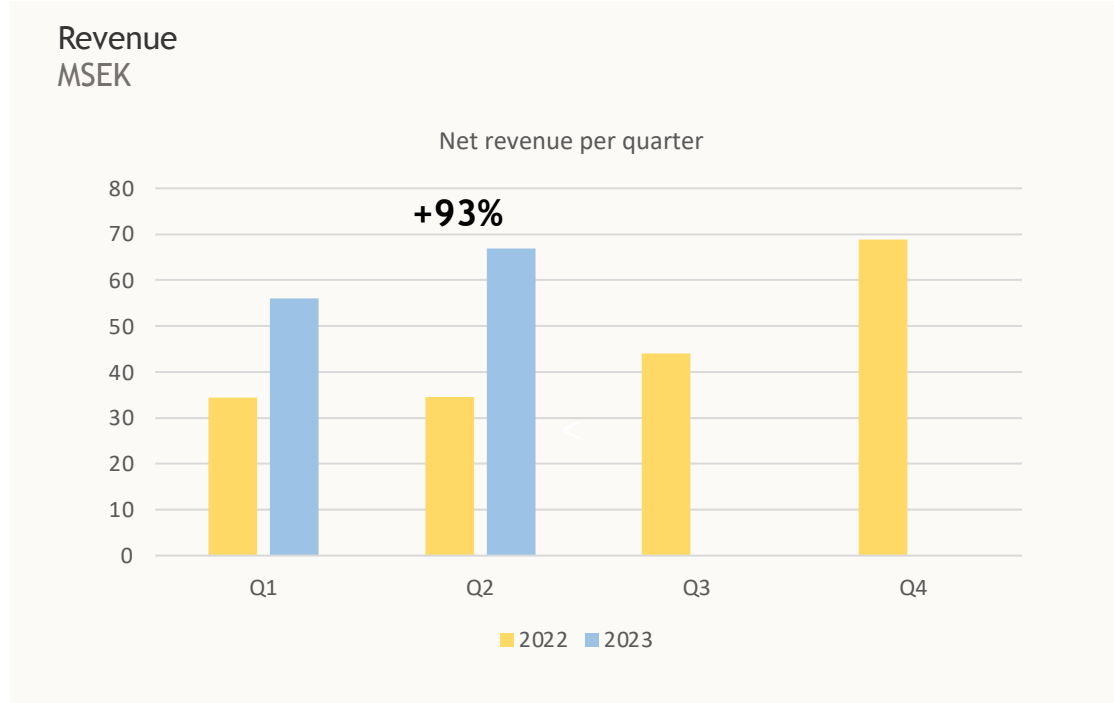
Q2; BOTH LOYALTY AND GIFTCARDS SHOW CONTINUED STRENGTH

LOYALTY – NET REVENUE PER QUARTER



- MSEK 181.0 revenues; 14% growth, organic growth of 3%
- Strong development of existing customers with continued growth
- 8 MSEK additional SAS Eurobonus sales in 2022 deteriorates organic growth comp
- German market situation remained challenging throughout Q2
- Connex adds appr MSEK 16.5 to Loyalty revenues in Q2

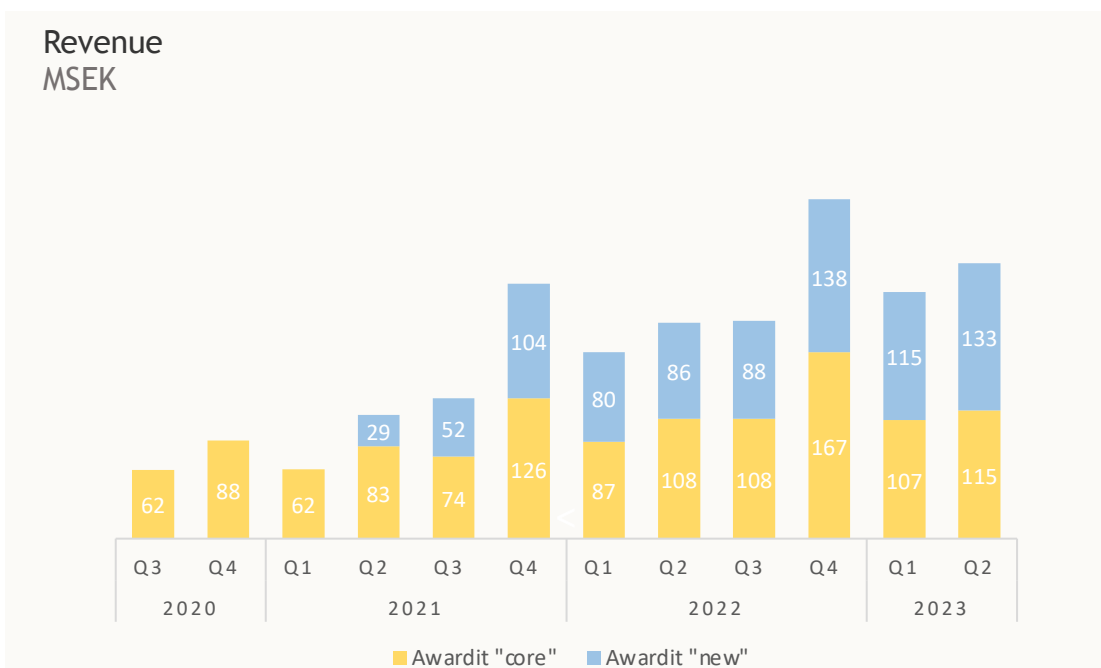
GIFTCARDS – NET REVENUE PER QUARTER



- MSEK 66.9 revenues; 93% growth, organic growth of 5%
- Organic growth from new customers on our SaaS platform
- Decline of appr 17% in MBXP experience giftcards
- Connex adds appr MSEK 30.7 to Giftcards revenues in Q2

CORE BUSINESS CONTINUES TO STAND STRONG

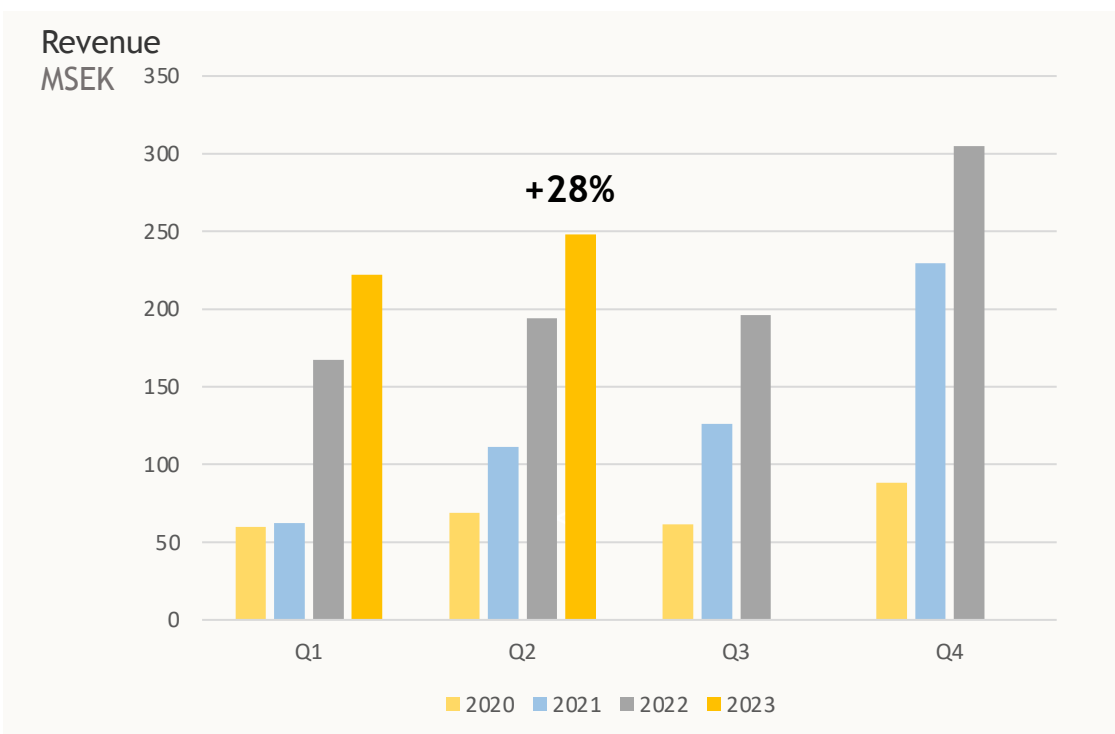
Continued underlying growth of “core” business in 2020–2022



- Solid growth within Awardit “core” business (excluding acquisitions made in 2021 and 2023; TIC, MBXP, PrämieDirekt, Connex) +6,5% in Q2 2023
- Connex adds additional MSEK 47.2 to Awardit “new” in Q2 2023
- -0.6% growth in Awardit “new” excluding Connex

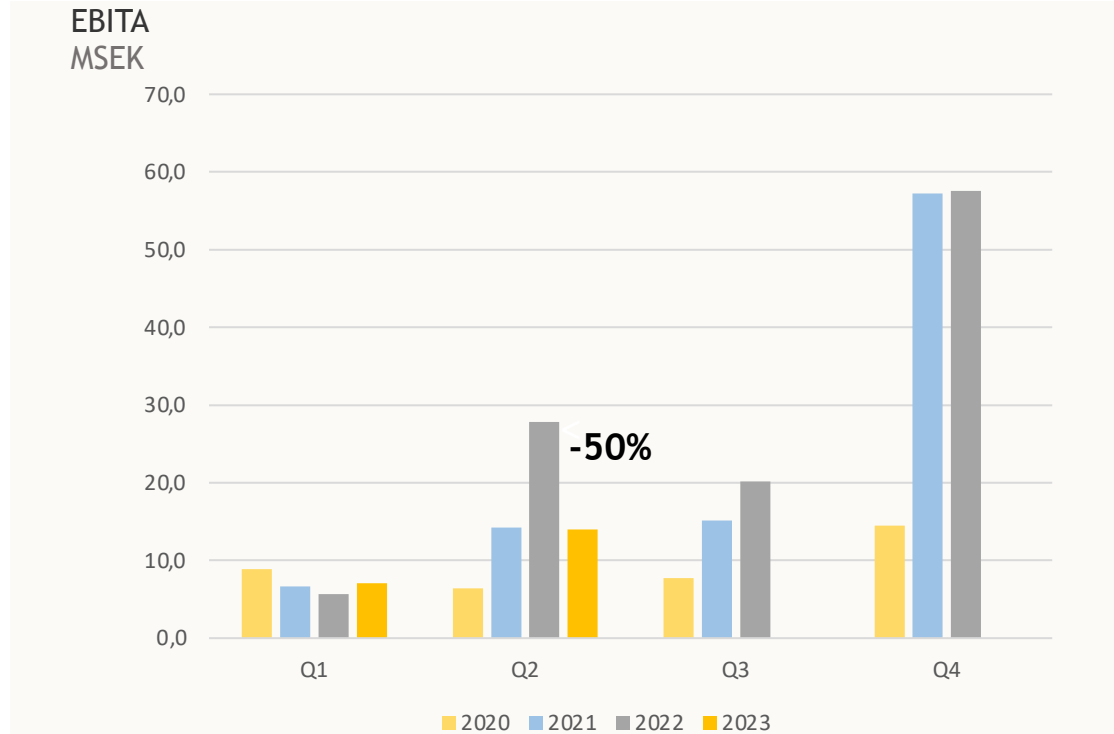
CONTINUED GROWTH, BUT EARNINGS CHALLENGED

QUARTERLY CONTINUED REVENUE GROWTH



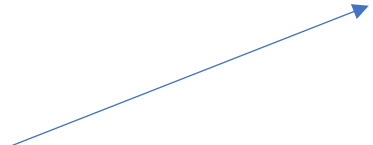

- MSEK 247.9 revenues; Connex contributed MSK 47.2
- 28% growth of which 4% organic driven by continued growth of largest clients in Awardit loyalty programs and giftcards.
- 82% growth in Zupergift facevalue sales

EBITA LOWER THAN EXPECTED, AT PAR WITH 2021



- -50% EBITA in Q2 2023 (MSEK 14.0) vs Q2 2022 (MSEK 27.8)
- Main reason for decline is negative result of MBXP (MSEK 10.3 lower EBITA than Q2 2022)
- Contribution from Connex 1.0 MSEK for Q2
- MSEK 0.8 (MSEK 2.5) breakage from Zupergift, now included in net revenues

EBITA BRIDGE

EBITA Q2 2022 - Group	27,8		Gross profit	-8,4
Higher comparable revenue compared to LY	6,8		MBXP - lower gross margin (19,4%)	-5,8
Cogs on revenue increase (28.5%)	-4,9		Prämie - higher gross margin (2,8%)	1,3
Capitalised development costs higher compared to LY	0,6		<u>Swedish entities – lower gross margin (3.4%)</u>	<u>-3,9</u>
Breakage Q2 2022 (now included in net revenue)	-2,5			
Other external income higher compared to LY	1,0			
Lower gross margin (4.3%)	-8,4			
Higher personnel costs compared to LY	-1,7			
OPEX higher compared to LY	-4,3		OPEX higher compared to LY	-4,3
Depreciations higher compared to LY	-1,3		MBXP - Higher contribution resellers	-3,0
Higher external expense compared to LY	-0,2		Prämie	0,4
<u>Connex (not included in LY) EBITA</u>	<u>1,0</u>		Swedish entities - Consultancy fees mostly	-1,6
EBITA Q2 2023 - Group	14,0		<u>Group adjustments</u>	<u>-0,1</u>

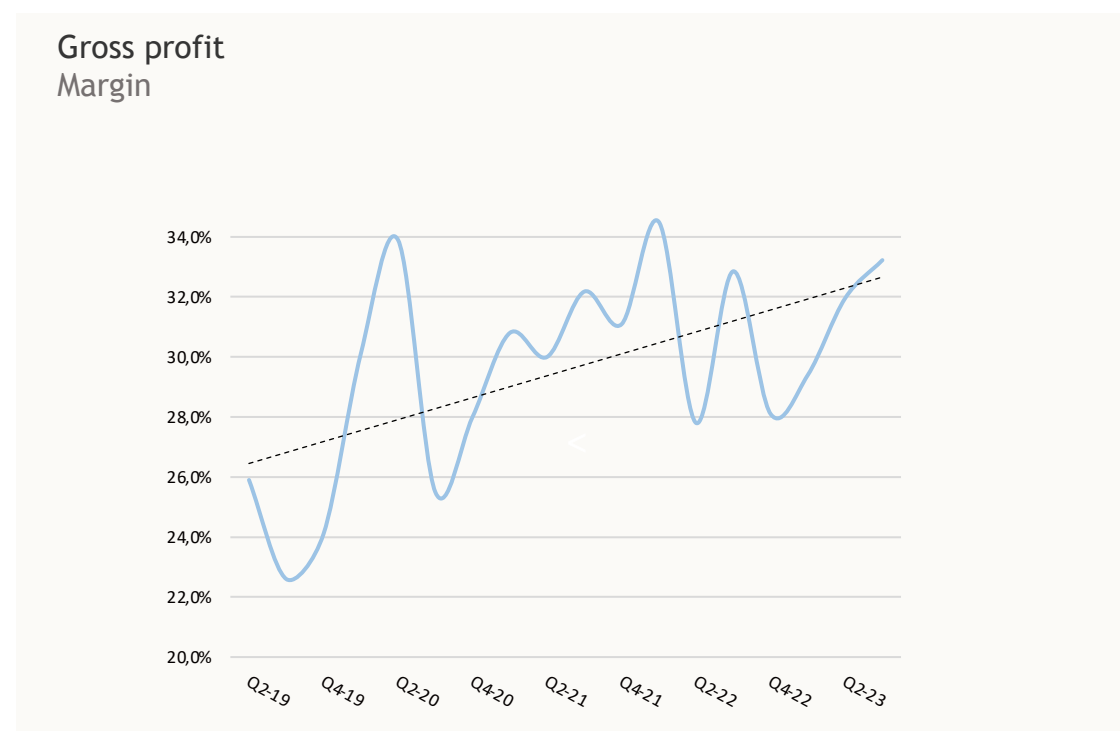
EBITA BRIDGE MBXP

Bridge MBXP	
Gross profit	-5,8
Capitalised development costs	-0,3
Other revenue	-1,0
OPEX	-3,0
Personnel costs	0,0
Other external expense	0,0
Depreciations	-0,3
Deviance Q2 2022	-10,3

- Main reason for the EBITA deviation is margin development of MBXP
 - MBXP delivers MSEK 10.3 lower EBITA compared to same Q last year
 - Sales on a total level somewhat higher (+3%) than last year, but;
 - Experience products are appr -16% in sales
 - Largest customer Coop (80% of sales) is appr -20% due to market challenges
 - At the same time, redemption of Experience products is at an ATH
 - Higher proportions of sales through B2B channel in Q4 2022 drive increase in redemptions
 - Cost of sales have also increased in 2023 compared to 21/22
- Earn-out expected to be paid out earliest in Q4
 - Process and calculation principles are outlined in purchase agreement
 - Our expectation is an earn-out not higher than 133 MSEK (84 MDKK)
 - This corresponds to reserved amount on Awardit balance sheet

GROSS MARGIN STRENGTHENED OVER TIME

GROSS MARGIN DEVELOPMENT



- Gross margin in Q2 2023 was 33.2%, compared to 32.9% in Q2 2022
- Connex contributes with higher margin
- Lower margin at MBXP due to increased redemption of experience giftcards
- Increase in Zupergift sales deteriorates gross margins of Awardit CLS

P&L DEVELOPMENT FOR Q2 AFFECTED BY MBXP DEVELOPMENT

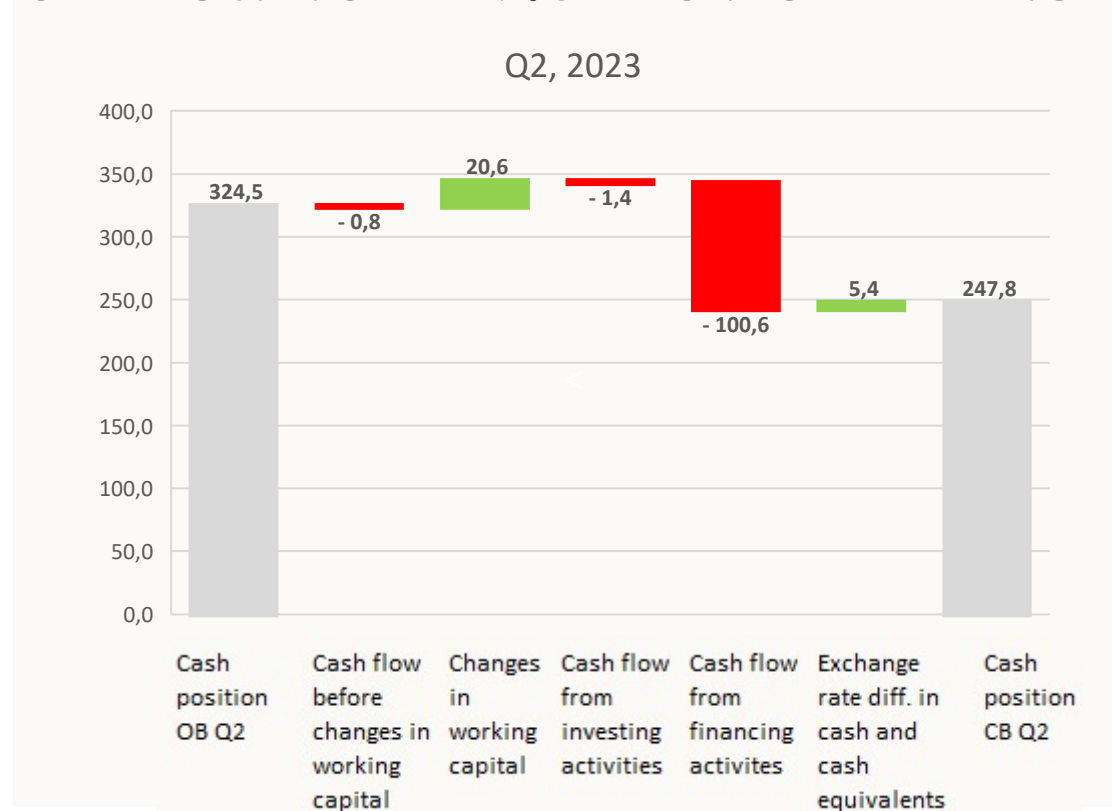
<u>Amounts, TSEK</u>	Note	2023-04-01	2022-04-01	2023-01-01	2022-01-01	2022-01-01
		2023-06-30	2022-06-30	2023-06-30	2022-06-30	2022-12-31
Net revenue	3	247,896	193,925	469,828	361,328	862,297
Capitalised work for own account		1,019	380	2,513	760	2,387
Other operating income	5	5,124	5,393	7,450	7,872	21,870
Total operating income		254,039	199,698	479,790	369,960	886,554
Operating expenses						
Commodities		-165,531	-130,212	-316,545	-251,060	-607,198
Other external expenses		-24,513	-15,447	-51,209	-36,049	-67,377
Personnel expenses		-46,609	-26,104	-83,750	-48,697	-98,792
Depreciation and amortisation of tangible and intangible assets		-14,964	-9,339	-27,998	-18,644	-40,557
Other operating expenses		-336	-79	-1,549	-539	-1,721
Total operating expenses		-251,952	-181,181	-481,050	-354,989	-815,644
Operating result		2,087	18,517	-1,260	14,971	70,910

- Commodities increase mainly driven by higher turnover, product mix and sales of Zupergift through lower margin channels/programs
- Other external expenses increase in the quarter from the addition of Connex with MSEK 4.8, comparable other expenses increase with MSEK 4.3 of which the largest part MSEK 3.0 comes from MBXP.
- Personnel costs in Q2 at 18.8% (13.5%) of revenues, affected by Connex and a strengthened central organization

OPEX EFFICIENCY PLAN

- Awardit has a history of synergizing on acquisitions
- Savings of 15-20 MSEK on full year basis targeted;
 - Synergies in DACH
 - Nordic organisation
 - Centralizing of administrative services
- Plan will have limited impact in 2023
 - 2.5-5 MSEK impact on 2023
 - Full impact as R12 in H2 2024
- Savings will come from;
 - Consultants (short term)
 - Other Opex savings (short- and mid term)
 - Personnel costs (mid- and long term)
 - Systems and operations (long term)
 - Further potential over time from cost efficiencies in group systems and operations

Q2 2023; POSITIVE CASH FLOW MSEK 19.8 FROM OPERATING BUSINESS



- Cash movement for Q2 is negative with MSEK 82.2 due to MSEK 80.0 being returned as unutilized credit space within the Revolving credit facility
- Investing activities: Negative MSEK 1.4 due to investments in intangible assets
- Financing activities: Negative effect - return of MSEK 80.0 as unutilized credit space and dividend of MSEK 19.5 paid, positive effect of MSEK 1.6 due to stock options
- Cash conversion R12 months: 89% (71% FY 2022)



WELL POSITIONED FOR CONTINUED SUCCESS



Continued organic growth of the core business lays the foundation for higher revenues and improved results in 2023 and beyond. MBXP to gradually normalize in second half of the year.



Acquisition of Connex provides a strong position in DACH. Perfect fit with Prämie Direkt and potential to continue growing in the region, both organically and through further acquisitions.



Projects ongoing to realize procurement savings, cross selling opportunities and other business oriented synergies within the group. Cost savings program of 15-20 MSEK initiated.



Potential to launch Zupergift in additional variants and in new markets, with DACH launched in Q2 through Connex sales channels



Steady flow of new customers - both within the Giftcard and Loyalty segments. Strong pipe of new prospective customers.



Additional value creating acquisitions identified. Cash position of 248 MSEK and non-utilized loan facility of 160 MSEK at end of Q2 provides buying power.



DACH organization ready to scale. Many interesting M&A opportunities in the pipeline.



Vision to become the leader on the European market.

CONTACT DETAILS

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